
HOUSE BILL No. 1005

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-3.1-22; IC 22-4.1-7.

Synopsis: School to career program and tax credit. Establishes a certified school to career program. Provides a two year credit against state tax liability for wages paid to a participant in a certified school to career program.

Effective: January 1, 2001 (retroactive); July 1, 2001.

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January 8, 2001, read first time and referred to Committee on Education.

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Introduced

First Regular Session 112th General Assembly (2001)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2000 General Assembly.

HOUSE BILL No. 1005

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 22-4.1-7 IS ADDED TO THE INDIANA CODE
2 AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE
3 JULY 1, 2001]:

4 **Chapter 7. Certified School to Career Programs**

5 **Sec. 1. As used in this chapter, "certified school to career**
6 **program" means a program approved by the department, in**
7 **conjunction with the department of education, that is conducted**
8 **under an agreement under this chapter and that:**

9 (1) integrates a secondary school curriculum with private
10 sector job training;

11 (2) places students in job internships; and

12 (3) is designed to continue into postsecondary education and
13 results in teaching new skills and adding value to the wage
14 earning potential of participants and increasing their long
15 term employability in Indiana.

16 **Sec. 2. As used in this chapter, "participant" means an**
17 **individual who is at least sixteen (16) years of age and less than**

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twenty-four (24) years of age who:

- (1) is enrolled in a public or private secondary or postsecondary school; and
- (2) participates in a certified school to career program as part of the individual's secondary school education.

Sec. 3. As used in this chapter, "sponsor" means a person, an association, a committee, or an organization operating a school to career program and in whose name the program is registered or approved.

Sec. 4. The department, in conjunction with the department of education, may not approve a school to career program unless the following requirements are met:

- (1) The program must be conducted under an organized, written plan embodying the terms and conditions of employment, job training, classroom instruction, and supervision of one (1) or more participants, subscribed to by a sponsor who has undertaken to carry out the school to career program.
- (2) The program must comply with all state and federal laws pertaining to the workplace.
- (3) The program must involve an institution of higher learning (as defined in IC 20-12-70-4).
- (4) The certified program agreement must provide that the employer agrees to assign an employee to serve as a mentor for a participant. The mentor's occupation must be in the same career pathway as the career interests of the participant.
- (5) The program must comply with any other requirement adopted by rule by the department after consultation with the department of education.

Sec. 5. The certified program shall be conducted under a signed written agreement between each participant and the employer that contains at least the following:

- (1) The names and signatures of the participant and the sponsor or employer and the signature of a parent or guardian if the participant is a minor.
- (2) A description of the career field in which the participant is to be trained and the beginning date and duration of the training.
- (3) The employer's agreement to provide paid employment for the participant at a base wage during the participant's junior and senior years in high school and the participant's first year

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1 of postsecondary education.

2 (4) The employer's agreement to assign an employee to serve
3 as a mentor for a participant. The mentor's occupation must
4 be in the same career pathway as the career interests of the
5 participant.

6 (5) An agreement between the participant and employer
7 concerning specified minimum academic standards that must
8 be maintained throughout the participant's secondary and
9 postsecondary education.

10 (6) The employer's agreement that the base wage to be paid to
11 the participant will not be less than the minimum wage
12 prescribed by the federal Fair Labor Standards Act.

13 (7) An agreement that in addition to the base wage paid to the
14 participant, the employer shall pay an additional sum to be
15 held in trust to be applied toward the participant's
16 postsecondary education required for completion of the
17 certified program. The additional amount must not be less
18 than an amount determined by the department to be sufficient
19 to provide payment of tuition expenses toward completion of
20 not more than two (2) academic years of the required
21 postsecondary education component of the certified program
22 at an institution of higher learning (as defined in
23 IC 20-12-70-4). The amount shall be held in trust for the
24 benefit of the participant under rules adopted by the
25 department. Payment into a fund approved under the federal
26 Employee Retirement Income Security Act of 1974 for the
27 benefit of the participant satisfies this requirement. The
28 approved fund must be specified in the agreement.

29 (8) The participant's agreement to work for the employer for
30 at least two (2) years following the completion of the
31 participant's postsecondary education required by the
32 certified program. However, the agreement may provide for
33 additional education and work commitments beyond the two
34 (2) years.

35 (9) If the participant does not complete the two (2) year
36 employment obligation, the participant's agreement to repay
37 to the employer the amount paid by the employer toward the
38 participant's postsecondary education expenses under
39 subdivision (7).

40 (10) An agreement that if a participant does not complete the
41 certified program contemplated by the agreement after
42 entering a postsecondary education program, any unexpended

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funds being held in trust for the participant's postsecondary education shall be paid back to the employer. In addition, the participant must repay to the employer amounts paid from the trust that were expended on the participant's behalf for postsecondary education.

(11) An agreement that if a participant does not complete the certified program contemplated by the agreement before entering a postsecondary education program, one-half (1/2) of the money being held in trust for the participant's postsecondary education shall be paid to an institution of higher learning (as defined in IC 20-12-70-4) of the participant's choice to pay tuition or expenses of the participant. The other one-half (1/2) of the trust money shall be paid back to the employer. Any money to be transferred for the benefit of the participant that is not transferred within five (5) years for purposes of education at the designated postsecondary institution shall be paid back to the employer.

Sec. 6. The department, in consultation with the department of education, shall adopt rules under IC 4-22-2 to implement this chapter.

SECTION 2. IC 6-3.1-22 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2001 (RETROACTIVE)]:

Chapter 22. Certified School to Career Program Payroll Credit

Sec. 1. As used in this chapter, "certified school to career program" has the meaning set forth in IC 22-4.1-7-1.

Sec. 2. As used in this chapter, "participant" has the meaning set forth in IC 22-4.1-7-2.

Sec. 3. As used in this chapter, "pass through entity" means:

- (1) a corporation that is exempt from the adjusted gross income tax under IC 6-3-2-2.8(2);
- (2) a partnership;
- (3) a limited liability company; or
- (4) a limited liability partnership.

Sec. 4. As used in this chapter, "payroll expenditures" means the base wages actually paid by an employer to a participant in a certified school to career program under IC 22-4.1-7, plus the amount held in trust to be applied toward the participant's postsecondary education.

Sec. 5. As used in this chapter, "state tax liability" means a taxpayer's total tax liability that is incurred under:

- (1) IC 6-2.1 (gross income tax);

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- (2) IC 6-3-1 through IC 6-3-7 (adjusted gross income tax);
- (3) IC 6-3-8 (supplemental net income tax);
- (4) IC 6-5-10 (bank tax);
- (5) IC 6-5-11 (savings and loan association tax);
- (6) IC 6-5.5 (financial institutions tax); and
- (7) IC 27-1-18-2 (insurance premiums tax);

as computed after the application of the credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this chapter.

Sec. 6. As used in this chapter, "taxpayer" means a person, corporation, or pass through entity that employs participants in a certified school to career program under IC 22-4.1-7.

Sec. 7. (a) A taxpayer is entitled to a credit against the taxpayer's state tax liability for the payroll expenditures by the taxpayer in the taxable year.

(b) Subject to the limitations under subsection (c) and section 11 of this chapter, the amount of the credit is equal to the taxpayer's payroll expenditures in the taxable year for a participant multiplied by twenty percent (20%).

(c) The credit is limited to the first four hundred (400) hours of payroll expenditures per participant for each calendar year the participant is in the certified school to career program, not to exceed two (2) years per participant.

Sec. 8. (a) If the amount determined under section 7(b) of this chapter for a taxpayer in a taxable year exceeds the taxpayer's state tax liability for that taxable year, the taxpayer may carry the excess over to the following taxable years. The amount of the credit carryover from a taxable year shall be reduced to the extent that the carryover is used by the taxpayer to obtain a credit under this chapter for any subsequent taxable year. A taxpayer is not entitled to a carryback.

(b) A taxpayer is entitled to a refund of any unused credit.

Sec. 9. If a pass through entity does not have state income tax liability against which the tax credit may be applied, a shareholder or partner of the pass through entity is entitled to a tax credit equal to:

- (1) the tax credit determined for the pass through entity for the taxable year; multiplied by
- (2) the percentage of the pass through entity's distributive income to which the shareholder or partner is entitled.

Sec. 10. To receive the credit provided by this chapter, a taxpayer must claim the credit on the taxpayer's state tax return

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1 in the manner prescribed by the department. The taxpayer must
2 submit to the department proof of payment of the payroll
3 expenditures and all information that the department determines
4 is necessary for the calculation of the credit provided by this
5 chapter.

6 Sec. 11. (a) The department shall record the time of filing of
7 each application for allowance of a credit under section 10 of this
8 chapter and shall approve the applications, if they otherwise
9 qualify for a tax credit under this chapter, in the chronological
10 order in which the applications are filed in the state fiscal year.

11 (b) When the total credits approved under this section equal the
12 maximum amount allowable in a state fiscal year, no application
13 filed later for that same fiscal year shall be approved. However, if
14 an applicant for whom a credit has been approved fails to file the
15 statement of proof of payment required under section 10 of this
16 chapter, an amount equal to the credit previously allowed or set
17 aside for the applicant may be allowed to any subsequent applicant
18 in the year. In addition, the department may, if the applicant
19 requests, approve a credit application, in whole or in part, with
20 respect to the next succeeding state fiscal year.

21 Sec. 12. The credit provided by this chapter applies only to
22 taxable years beginning after December 31, 2000, and ending
23 before January 1, 2003.

24 SECTION 3. [EFFECTIVE JULY 1, 2001] (a) The amount of tax
25 credits approved under IC 6-3.1-22, as added by this act, may not
26 exceed five hundred thousand dollars (\$500,000) in the period
27 beginning July 1, 2001, and ending June 30, 2003.

28 (b) This SECTION expires July 1, 2003.

29 SECTION 4. An emergency is declared for this act.

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